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**PAMOUR PORCUPINE MINES,
LIMITED**

ANNUAL REPORT 1973



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PAMOUR PORCUPINE MINES, LIMITED

EXECUTIVE OFFICE ADDRESS:
P.O. BOX 45, COMMERCE COURT WEST
TORONTO, ONTARIO, M5L 1B6

DIRECTORS

P. D. P. Hamilton	-	-	-	-	-	-	-	-	-	-	Toronto
R. V. Porritt	-	-	-	-	-	-	-	-	-	-	Toronto
J. J. Rankin	-	-	-	-	-	-	-	-	-	-	Toronto
W. S. Row	-	-	-	-	-	-	-	-	-	-	Toronto
D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	-	Toronto
A. W. Stollery	-	-	-	-	-	-	-	-	-	-	Toronto
J. H. Stovel	-	-	-	-	-	-	-	-	-	-	Toronto

OFFICERS

D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	President
W. S. Row	-	-	-	-	-	-	-	-	-	Vice-President
J. A. Graham	-	-	-	-	-	-	-	-	-	General Manager
B. H. Grose	-	-	-	-	-	-	-	-	-	Secretary
E. K. Cork	-	-	-	-	-	-	-	-	-	Treasurer

TRANSFER AGENT AND REGISTRAR:
Canada Permanent Trust Company, Toronto and Montreal.

ANNUAL MEETING:
April 17, 1974 — 11:30 a.m. (Toronto Time), Four Seasons Sheraton Hotel.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dividends of 6¢, 12¢ and 7¢ per share were paid in June, September, and December for a total of \$1,750,000 or 25¢ per share. Dividends paid since commencement of operations in 1936 total \$13,230,000.

Agreement in principle was reached on November 26 to buy from McIntyre Porcupine Mines Limited, its mine, plant and staff dwellings at Schumacher, Ontario. The transaction was closed on payment of \$4,500,000 prior to year-end and took effect from November 27. The gold and copper mining operation, involving some 600 employees, will continue as the Schumacher Division of Pamour. The proven ore reserves at the date of purchase were sufficient for less than two years of gold mining and approximately 3 years of copper mining.

Reports by the mine managers, summarizing operations at the mine sites, together with the financial statements and the report of the auditors with explanations regarding depreciation, deferred income tax and investments for the year 1973 are included herewith. Mine operating income, including \$372,000 from the Schumacher Division, with metals in inventory at year-end valued at \$100.00 per ounce of gold, \$3.00 per ounce of silver and 65¢ per pound of copper, totalled \$2,883,200 compared with \$248,600 in 1972. Sales of 118,230 ounces of gold realized an average of \$93.79 per ounce compared to \$59.70 in 1972.

The total production of gold in bullion, from the 3 Pamour mines, and the Schumacher Division, was 134,380 ounces from the treatment of 898,200 tons of ore as compared with 96,000 ounces from 723,500 tons in 1972. The Schumacher Division also produced 1,276 tons of copper concentrate containing 356 tons of copper, 1,450 ounces of gold and 5,990 ounces of silver. The No. 3 Mill, purchased from Aunor Gold Mines in 1972, treated some 38,000 tons of ore prior to being shut down in March for final clean-up and disposal. Thereafter, production from the No. 3 Mine was trucked to the No. 1 Mill where expansion of treatment capacity to 2,500 tons per day had been initiated in 1972.

The combined proven ore reserves include 2,908,000 tons of gold ore averaging 0.17 oz. per ton and 2,749,600 tons of copper ore averaging 0.68% copper and 0.03 oz. of gold per ton.

A continuing shortage of experienced workmen contributed to increasing labour turnover and higher wage and benefit expenses. This, combined with rising costs of supplies and services, had a substantial impact on production expenses, particularly in

the latter part of the year. Nevertheless, merging of the operations in the Porcupine Area is expected to result in economies of scale and services which will promote the development of additional ore to sustain continuing production.

Exploration included diamond drilling on the optioned Porcupine Peninsular property some 11 miles east of Pamour where a modest tonnage of low-grade gold ore was indicated. The Company also participated to the extent of 25% with Orchan Mines Limited and Noranda Exploration Company Limited in financing a joint venture under the Mining Corporation charter to explore and develop a gold bearing structure with potential for a small tonnage of ore on the Joburke property, some 70 miles west of Pamour.

A project to improve the facilities for receiving ore from outside properties, and to further increase crushing and grinding capacity in the No. 1 Plant, was started in October. Completion of the program in late 1974 will permit a milling rate of more than 3,000 tons per day.

The remaining assets and liabilities of Hallnor Mines Limited, including the town-site, surface rights and tailings storage area, were purchased for \$75,000. This well maintained property provides dwellings for the families of 23 Pamour employees.

A serious loss was suffered in the death of Mr. Kenneth C. Gray, retired mining engineer and executive who had given able and valued service as a Director since 1961. He was associated with the Noranda Group for many years.

The Directors welcome all members of the Schumacher Division to Pamour and appreciate the loyal and able services rendered by the managers, their staffs and employees.

On behalf of the Board,

D. E. G. SCHMITT,
President.

Toronto, Ontario,
January 29, 1974.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1973

	1973	1972
INCOME		
From metal production	<u>\$14,027,802</u>	<u>\$5,791,195</u>
EXPENSE		
Cost of production	9,791,616	5,255,364
Exploration expense	246,214	—
Administrative expenses	428,356	133,923
Depreciation and amortization	678,377	153,336
	<u>11,144,563</u>	<u>5,542,623</u>
OPERATING INCOME	<u>2,883,239</u>	<u>248,572</u>
INVESTMENT INCOME		
Dividends from associated companies	634,344	490,082
Other dividends and interest	189,913	25,329
Profit on sale of investments	392,679	2,000
	<u>1,216,936</u>	<u>517,411</u>
Net income before taxes	4,100,175	765,983
Income and production taxes (Note 2)	1,252,600	—
NET INCOME FOR THE YEAR (Notes 2 and 3)	<u>2,847,575</u>	<u>765,983</u>
RETAINED EARNINGS		
Balance — beginning of year	5,104,860	4,818,877
	<u>7,952,435</u>	<u>5,584,860</u>
Return of Ontario Hydro prepaid sinking fund deposit — net of tax \$86,000	111,947	—
	<u>8,064,382</u>	<u>5,584,860</u>
Less: Dividends	1,750,000	480,000
Balance — end of year	<u>\$ 6,314,382</u>	<u>\$5,104,860</u>
EARNINGS PER SHARE	<u>40.7¢</u>	<u>14.6¢</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1973

	1973	1972
WORKING CAPITAL — BEGINNING OF YEAR	<u>\$ 3,737,000</u>	<u>\$ 705,800</u>
SOURCE OF FUNDS		
Operations —		
Net income for the year	2,847,600	765,900
Depreciation and amortization	678,400	153,300
Deferred taxes	894,800	—
	<u>4,420,800</u>	<u>919,200</u>
Sale of investments	82,700	(61,900)
Stores inventory acquired at Schumacher (Note 1) ..	300,000	—
Working capital acquired from Aunor	—	3,191,700
Capital stock issued in consideration of net assets of Aunor	—	7,000,000
Return of Ontario Hydro prepaid sinking fund deposit — net of tax	111,900	—
Miscellaneous	85,900	—
	<u>5,001,300</u>	<u>11,049,000</u>
APPLICATION OF FUNDS		
Purchase of Schumacher mine assets (Note 1)	4,500,000	—
Purchase of Aunor net assets	—	7,000,000
Other fixed assets — net	955,100	517,300
Dividends	1,750,000	480,000
Purchase of mining claims	—	20,500
	<u>7,205,100</u>	<u>8,017,800</u>
NET INCREASE (DECREASE)	<u>(2,203,800)</u>	<u>3,031,200</u>
WORKING CAPITAL — END OF YEAR	<u>\$ 1,533,200</u>	<u>\$ 3,737,000</u>

PAMOUR PORCU

(Incorporated un

BALANCE SHEET A**ASSETS**

	1973	1972
CURRENT ASSETS		
Cash and short-term deposits	\$ 85,027	\$ 1,857,833
Bullion and concentrates at estimated realizable value	3,872,326	1,040,114
Marketable investments — at cost (quoted market value \$1,894,062)	1,753,254	1,247,209
Accounts and loans receivable	228,526	69,711
Stores — at cost	960,921	665,769
Prepaid expenses	55,730	21,038
	<u>6,955,784</u>	<u>4,901,674</u>
INVESTMENTS — at cost (Note 4)		
Shares of associated companies (quoted market value \$16,873,552)	7,143,349	7,226,018
	<u>7,143,349</u>	<u>7,226,018</u>
FIXED ASSETS		
Plant, buildings, equipment and townsite — at cost ..	6,482,182	4,065,211
Accumulated depreciation	3,135,889	2,876,331
	<u>3,346,293</u>	<u>1,188,880</u>
Mine properties — at cost less amortization (Note 3) ..	3,382,702	995,677
	<u>6,728,995</u>	<u>2,184,557</u>
GOODWILL — at cost less amortization (Note 3)	191,099	344,746
	<u><u>\$21,019,227</u></u>	<u><u>\$14,656,995</u></u>

MINES, LIMITED

(Incorporated in the Province of Ontario and
laws of Canada)

DECEMBER 31, 1973

LIABILITIES		
	1973	1972
CURRENT LIABILITIES		
Short-term loan	\$ 2,870,000	\$ —
Accounts payable	2,099,345	1,164,635
Income and production taxes payable	453,200	—
	5,422,545	1,164,635
DEFERRED TAXES (Note 2)	894,800	—
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized — 10,000,000 shares of no par value		
Issued and fully paid — 7,000,000 shares	8,387,500	8,387,500
RETAINED EARNINGS	6,314,382	5,104,860
	14,701,882	13,492,360
 Signed on behalf of the Board: D. E. G. SCHMITT, Director. W. S. ROW, Director.		
	\$21,019,227	\$14,656,995

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1973

1. Pursuant to an agreement, the company acquired on November 27, 1973, the mine assets and mine realty of the Schumacher mine of McIntyre Porcupine Mines Limited at a purchase price of \$4.5 million, \$300,000 of which was for stores inventory.

The following information is presented in accordance with subsection 3(17) of Section 126 of The Ontario Securities Act:

Assets acquired at the net book value of the seller	\$1,070,000
Adjustment thereto to purchase consideration	3,430,000
	<u>\$4,500,000</u>

Equated to:

Cash payment made	<u>\$4,500,000</u>
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2. During 1973 the company changed from recording income and production taxes on a taxes payable basis to recording them on a tax allocation basis. If this change had not been made the earnings for the year ended December 31, 1973, would have been \$894,800 higher than those reported. In addition, the company has available loss carry-forwards amounting to approximately \$1,000,000 which may be applied against taxable incomes of future years.
3. During 1973 the company adopted the objective of amortizing properties and goodwill by the end of 1978. The effect on 1973 was an increase of \$396,800 in expenses.
4. At December 31, 1973, the investments of the company included 214,710 shares of Noranda Mines Limited with a quoted market value of \$10,789,000 and 400,000 shares of Kerr Addison Mines Limited with a quoted market value of \$4,400,000, each of which exceeded 10% of the market value of the investments of the company.
5. The aggregate remuneration paid or payable to the seven directors amounted to \$6,850. Two of the four officers of the company are directors. No remuneration is paid to officers other than for services as directors.

Remuneration paid or payable to the five highest paid employees of the company amounted to \$90,208.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Pamour Porcupine Mines, Limited as at December 31, 1973 and the statements of operations and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in the basis of recording taxes and the adoption of the policy of amortizing properties and goodwill as referred to in notes 2 and 3 respectively with which we concur.

January 18, 1974.

COOPERS & LYBRAND,
Chartered Accountants.

MANAGER'S REPORT

The following report summarizes operations for the year 1973 at the main No. 1 Mine, the No. 2 Mine (Hallnor) and the No. 3 Mine (Aunor).

PRODUCTION

	Nos. 1, 2 & 3 Mines	Nos. 1 & 2 Mines	No. 3 Mine
	1973	1972	1972*
Ore milled — tons	877,331	691,745	31,780
Tons milled per calendar day	2,404	1,890	722
Average gold content — oz./ton	0.151	0.139	0.207
Average tailings — oz. gold/ton	0.01	0.009	0.014
Gold recovery — %	93.4	93.5	92.9
Gold production — ounces	126,654	89,889	6,112
Value of production	\$12,541,300	\$5,389,400	\$ 401,750

*from Nov. 18

Production from the No. 2 Mine was terminated in May and it remained on a care and maintenance basis pending further evaluation. The milling operation at No. 3 Mine was terminated in March and ore mined thereafter was trucked to the No. 1 mill.

MINING

Development

	No. 1 Mine		No. 2 Mine		No. 3 Mine	
	1973	1972	1973	1972	1973	1972
Advance — feet	3,971	2,292	48	1,233	572	142
Stope preparation — feet	11,822	10,686	894	2,228	7,718	817
Diamond drilling — feet	30,499	21,427	4,469	10,171	3,284	351

Drifting at the No. 1 and No. 3 Mines was for routine stope development and ore extraction.

Diamond Drilling

Exploratory diamond drilling in No. 1 Mine totalled 30,499' in 209 holes of which 7,126' were drilled from surface. Ore outlined included 71,000 tons averaging 0.07 oz. of gold per ton on the 600 level, 26,000 tons averaging 0.09 oz. on the 800 level, and 16,000 tons at 0.10 oz. on the 1,000 level. Surface drilling in the east conglomerate formation indicated two zones amenable to open-cast mining; one of 345,000 tons averaging 0.07 oz. of gold per ton and the other, to the east, of 215,000 tons averaging 0.099 oz.

In the No. 2 Mine exploratory drilling of 27 holes has outlined some 88,000 tons on the 400 level grading 0.16 oz. of gold per ton.

In the No. 3 Mine, 55 holes were drilled to outline ore limits.

Stoping

Stoping was carried out in the east and west sections of the No. 1 Mine. Some 81% of production, or 497,490 tons averaging 0.120 oz. of gold per ton from car samples,

were trammed from the east stopes and 87,600 tons grading 0.145 oz. from the west section for a total of 585,091 tons averaging 0.124 oz. Of the total ore mined, lava formation accounted for 62%, greywacke for 25% and conglomerate for 13%.

Stope production from No. 2 Mine was 18,280 tons of ore averaging 0.35 oz. of gold per ton in car samples.

Total ore hoisted from No. 3 Mine was 236,800 tons averaging 0.23 oz. of gold per ton in car samples, of which 226,500 tons were from cut-and-fill stopes and 10,300 tons were from development and stope preparation work. Some 116,070 tons of hydraulic backfill were placed in the stopes.

ORE RESERVES

Estimates as of January 1, 1974, including normal dilution allowances were:

	Tons	Gold Oz./Ton
No. 1 Mine	1,454,350	0.112
No. 3 Mine	1,027,000	0.20
Combined Proven Reserves	<u>2,481,350</u>	<u>0.148</u>

No. 3 Mine reserves were recalculated on the basis of erratic branch vein experience in the last two years, which with the addition of lower grade tonnage to the 4,000' level, resulted in a reduction in the average ore grade.

GENERAL

A construction program to improve the secondary crushing and ore handling facilities at the shaft head and to install another grinding unit to increase milling capacity was started. Completion is scheduled for September 1974.

The Porcupine Area exploration staff examined some 40 properties, and 13,159 feet of surface diamond drilling was done, including 7,596 feet on the Porcupine Peninsular property in the Night Hawk Lake area. Further work on this property is contemplated.

Pamour participated in the joint venture exploration and development work on the New Joburke property, from which 17,000 tons of material were trucked to the mill for treatment on a toll basis.

There were 674 employees at the year-end including two at No. 2 Mine, 216 at No. 3 Mine and some 45 who have responsibilities at two or more mine sites in the area.

I wish to express my appreciation for the services rendered during the year by the Department Heads, staff and other employees.

Respectfully submitted,

Pamour, Ontario,
January 17, 1974.

L. R. REDFORD,
Manager.

MANAGER'S REPORT — Schumacher Division

The following report is a summary of the Schumacher Division operations from November 27, 1973, the date of acquisition. It provides data on gold ore separate from copper ore in accordance with the mining and milling practice.

PRODUCTION

		Gold	Copper
Ore milled	— tons	20,900	67,810
Ore milled per day	— "	597	1,937
Average grade of ore	— gold oz./ton	0.396	0.03
	— copper %	—	0.57
Concentrate produced	— tons	—	1,276
Copper contained in concentrate	— lbs.	—	712,420
Gold contained in bullion and concentrate	— ounces	7,731	1,455
Silver contained in bullion and concentrate	— ounces	372	5,998
Recovery	— %	93.29	92.13
Value of production		\$ 790,000	\$ 627,000

MINING

Gold exploration was carried out in 3 vein systems. A heading was advanced on 15 Vein toward a high-grade drill hole intersection, and development on 18 and 22 Veins continued to outline two zones grading 0.20 oz. per ton which will be suitable for bulk mining.

A crosscut on 3,600' level was completed and a drill base established to explore a new copper zone.

Four diamond drill holes on 6,700' level, 22 Vein, outlined a gold zone 70' long and 12' wide, grading 0.236 oz. per ton and some 200' south of the above zone, a hole indicated a 17'-wide section grading .25 oz. per ton. Three holes drilled in 18 Vein indicated an upward extension of the 62 stope grading .177 oz. gold per ton over a 9' width.

Diamond drilling to explore the volcanic rocks at the east end of the Pearl Lake porphyry returned copper-gold intersections of ore grade in each of the 5 holes completed by year-end.

Gold Section stoping was carried on in four shaft areas of which No. 12 shaft provided 81% of the ore.

Copper Section stoping produced 61,280 tons of ore with average grades of 0.581% copper and 0.03 oz. of gold per ton from 9 stopes between the 1,800' and 3,600' levels.

ORE RESERVES

Estimates as of January 1, 1974, including normal dilution allowances were:

Gold Ore

Shaft	Tons	Oz. Gold/Ton	% Cu	Oz. Silver/Ton
No. 7	7,029	.237		
No. 11	16,319	.264		
No. 12	304,658	.294		
No. 15	98,658	.253		
Total and Average	426,664	.283		

Copper Ore	2,749,600	0.031	0.68	0.117
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GENERAL

A program to improve the supply of compressed air throughout the mine was completed in December. It included overhaul of all compressors, construction of a concrete cooling pond and conversion to a closed circuit cooling system. Some 4,000' of 8" pipe was installed on main mine levels and a 40,000 cubic foot air receiver was constructed on the 3,875' level.

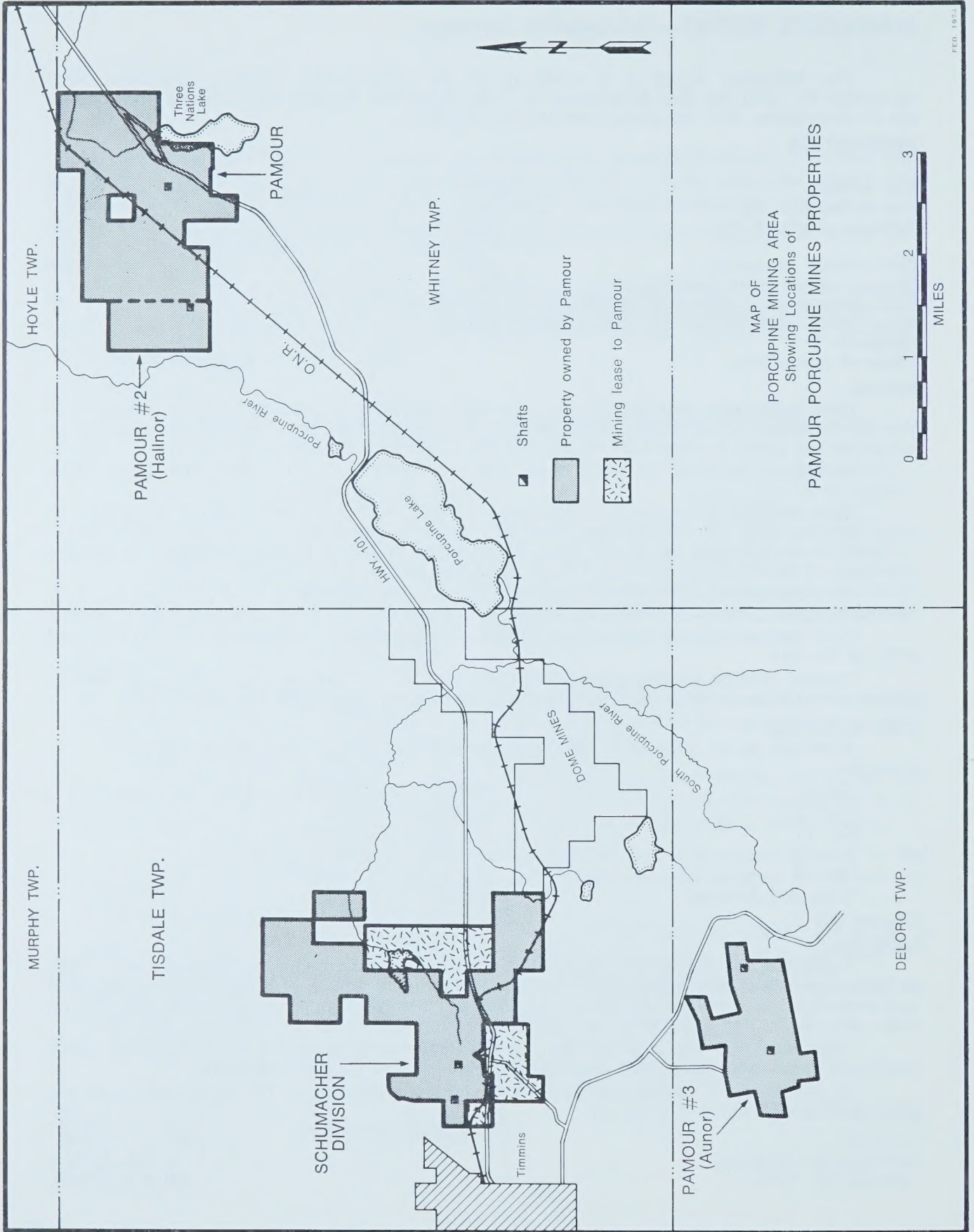
There were 609 employees at the year-end including 83 staff, 333 hourly-rated personnel employed in the gold operations and 193 employed in the copper operations.

In conclusion, I express sincere thanks and appreciation to the superintendents and staff for their efficiency and loyalty.

Respectfully submitted,

Schumacher, Ontario,
January 22, 1974.

A. A. ADAMSON,
Mine Manager.



MAP OF
PORCUPINE MINING AREA
Showing Locations of
PAMOUR PORCUPINE MINES PROPERTIES

